Silver Base

Silver Base Group Holdings Limited
銀基集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Silver Base Group Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018, together with the comparative figures for the previous corresponding period as follows:

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$878.0 million
- Gross profit was approximately HK$160.7 million
- Loss for the period attributable to ordinary equity holders of the Company was approximately HK$40.0 million
- Loss per share (approximately)

Basic	HK1.76 cents
Diluted	HK1.76 cents

- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**877,994**	740,738
Cost of sales		**(717,269)**	(616,643)
Gross profit		**160,725**	124,095
Other income and gains, net	4	**10,328**	297
Selling and distribution expenses		**(124,063)**	(90,726)
Administrative expenses		**(42,991)**	(42,808)
Other expenses, net		**(4,601)**	(150)
Write-back of impairment/(loss from impairment), net		**8,135**	(5,203)
Finance costs	5	**(47,473)**	(24,817)
LOSS BEFORE TAX	6	**(39,940)**	(39,312)
Income tax expense	7	**–**	(30)
LOSS FOR THE PERIOD		**(39,940)**	(39,342)
ATTRIBUTABLE TO:			
ORDINARY EQUITY HOLDERS OF THE COMPANY		**(40,046)**	(39,342)
NON-CONTROLLING INTERESTS		**106**	–
		(39,940)	(39,342)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (HK cents)	8	**(1.76)**	(1.73)
Diluted (HK cents)	8	**(1.76)**	(1.73)

Details of dividends are disclosed in note 11.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	For the six months ended 30 September 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
LOSS FOR THE PERIOD	**(39,940)**	(39,342)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(131,077)**	55,659
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(131,077)**	55,659
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(171,017)**	16,317
ATTRIBUTABLE TO:		
ORDINARY EQUITY HOLDERS OF THE COMPANY	**(171,123)**	16,317
NON-CONTROLLING INTERESTS	**106**	–
	(171,017)	16,317

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2018

	Notes	**30 September 2018 (Unaudited)** ***HK$'000***	31 March 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**24,383**	21,684
Intangible asset		**8,300**	8,300
Financial assets at fair value through profit or loss		**33,299**	–
Deposits		**9,526**	36,012
Deferred tax assets		**4,000**	4,000
Total non-current assets		**79,508**	69,996
CURRENT ASSETS			
Inventories		**1,147,672**	904,436
Trade receivables	9	**21,999**	61,954
Bills receivable	9	**4,315**	1,232
Prepayments, deposits and other receivables		**500,297**	500,957
Pledged deposit		**56,820**	492,915
Cash and cash equivalents		**427,106**	418,917
Total current assets		**2,158,209**	2,380,411
CURRENT LIABILITIES			
Trade payables	10	**11,084**	24,864
Bills payable	10	**500,016**	487,465
Other payables and accruals		**83,071**	142,130
Contract liabilities		**140,661**	230,143
Derivative financial instrument		**4,601**	–
Interest-bearing bank borrowing		**34,092**	74,880
Bond payables		**115,427**	51,233
Due to a director		**1**	1
Tax payable		**61,592**	69,453
Total current liabilities		**950,545**	1,080,169
NET CURRENT ASSETS		**1,207,664**	1,300,242

	Notes	30 September 2018 (Unaudited) HK$'000	31 March 2018 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,287,172**	1,370,238
NON-CURRENT LIABILITIES			
Bond payables		**668,851**	580,638
Deferred tax liabilities		**5,000**	5,000
Total non-current liabilities		**673,851**	585,638
Net assets		**613,321**	784,600
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**226,742**	227,281
Reserves		**387,589**	558,435
		614,331	785,716
Non-controlling interests		**(1,010)**	(1,116)
Total equity		**613,321**	784,600

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

30 September 2018

1. CORPORATE AND GROUP INFORMATION

Silver Base Group Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 12 September 2007. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, whose address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 1802-03, 18th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the distribution of Wuliangye (五糧液) liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Red Fen Shijia liquor series, Yaxi Classic liquor series and Old Vintage liquor series, wine, foreign liquor series, sugar, Chinese cigarettes and daily necessities.

2.1 BASIS OF PREPARATION

The unaudited interim financial information of the Company, which comprises the condensed consolidated statement of financial position as at 30 September 2018, and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2018, and explanatory notes, has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

Going concern basis

The Group recorded revenue and a consolidated loss before tax of HK$877,994,000 (period ended 30 September 2017: HK$740,738,000) and HK$39,940,000 (period ended 30 September 2017: HK$39,312,000), respectively, for the six months ended 30 September 2018. The Group had net cash outflows used in operating activities of approximately HK$464,969,000 (period ended 30 September 2017: net cash inflow of approximately HK$189,209,000) for the period ended 30 September 2018.

As at 30 September 2018, the Group recorded outstanding bank loan of HK$34,092,000 (31 March 2018: HK$74,880,000), bills payable of HK$500,016,000 (31 March 2018: HK$487,465,000) and bond payables of HK$115,427,000 (31 March 2018: HK$51,233,000), which are due for repayment or renewal within the next twelve months after 30 September 2018. The bills payable of HK$500,016,000 were arranged in respect of the Group's purchase prepayments to a supplier and are due for repayment in April 2019. In addition, as at 30 September 2018, the Group recorded outstanding bond payables of HK$668,851,000 (31 March 2018: HK$580,638,000) under non-current liabilities, which are due for repayment from November 2019 to February 2026.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(1) Bank facilities

The Group will actively negotiate with the banks in the People's Republic of China ("**PRC**") for the renewal of the Group's PRC bank borrowings and bills payable when they fall due to secure necessary facilities to meet the Group's working capital and financial requirements in the near future. The directors of the Company have evaluated all the relevant facts available to them and are of the opinion that there have a good track record or relationship with the banks which will enhance the Group's ability to renew the Group's PRC bank loans and facilities upon expiry. In the event that the Group cannot renew its PRC bank borrowings and bills payable which will be due in the next twelve months after 30 September 2018, the Group plans to use its internal financial resources to repay the borrowings.

In addition, subsequent to 30 September 2018, the Group has successfully obtained a new bank loan of HK$34 million from a PRC bank in November 2018, which will not be due for repayment within twelve months from the period end date.

(2) Fund raising activities

The Group will actively seek opportunities to carry out fund raising activities including but not limited to issuance of bonds as alternative sources of funding. Subsequent to the end of the reporting period, the Group has issued unlisted bonds with an aggregate principal amount of HK$4,000,000 for the Group's working capital.

(3) Attainment of profitable and positive cash flow from operations

The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investment and business opportunities with the aim to attain profitable and positive cash flow from its operations.

In order to enhance the Group's online sale and marketing channels for its winery products, the Group has entered into various service agreements with certain e-commerce platform service providers, and has commenced operating an online store. The Group has also commenced operating a liquor industry oriented Business-to-Business platform in the PRC to enhance the Group's services and support to business members and for the promotion of the liquor products.

In addition, the Group will actively expand its middle to low-end product lines for the existing national brand in order to enhance market position in the baijiu industry and diversify its sources of revenue.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the unaudited interim financial information on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in this unaudited interim financial information.

2.2 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this unaudited interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018, except for (i) the accounting policies for the financial assets at fair value through profit or loss ("**FVPL**") under Hong Kong Financial Reporting Standard ("**HKFRS**") 9 *Financial Instruments*, and (ii) the adoption of the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for the current period's unaudited interim financial information:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs has had no material impact on the unaudited interim financial information of the Group. The principal effects of adopting HKFRS 9 and HKFRS 15 are as follows:

(a) HKFRS 9 *Financial Instruments*

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods commencing on or after 1 January 2018. The Group applied HKFRS 9 prospectively, with an initial application date of 1 April 2018. The Group has not restated comparative information, which continues to be reported under HKAS 39.

Classification and measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

Under HKFRS 9, debt financial instruments are subsequently measured at FVPL, amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and bills receivables, financial assets included in prepayments, deposits and other receivables, pledged deposit, and cash and cash equivalents.

– Financial assets at FVPL comprise derivative instruments which the Group has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and applied to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

The ECL allowance is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate ("**EIR**").

For trade receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months).

The adoption of HKFRS 9 has had no significant financial effect on the condensed consolidated interim financial information.

(b) HKFRS 15 *Revenue from Contracts with Customer*s

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted HKFRS 15 using the full retrospective method of adoption. The Group has elected to apply the practical expedient for completed contracts and has not restated amounts for the contracts completed before 1 April 2018.

The adoption from 1 April 2018 resulted in changes in accounting policies for revenue recognition as detailed below.

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of HKFRS 15 has had no impact on the timing of revenue recognition.

Advances received from customers

The Group normally receives short-term advances from its customers for the sale of liquor products. Prior to the adoption of HKFRS 15, the Group presented these advances as deposits from customers under "Deposits received, other payables and accruals" in the statement of financial position. No interest was accrued on the advances received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term advances, the Group has used the practical expedient. As such, the Group has not adjusted the promised amount of the consideration for the effects of a financing component in contract, where the Group expects, at contract inception, that the period between the time the customer pays for the good and when the Group transfers that promised good to the customer will be one year or less.

Upon the adoption of HKFRS 15, the Group's "Contract liabilities", included in "Deposits received, other payables and accruals" in previously issued financial statements of the Group for the year ended 31 March 2018, have been separately disclosed in the condensed consolidated statement of financial position as at 30 September 2018.

More extensive disclosures on the Group's revenue transactions have been made in the unaudited interim financial information of the Group upon the adoption of HKFRS 15.

Apart from the above, the adoption of HKFRS 15 has had no significant impact on the financial position and/or financial performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two reportable operating segments as follows:

(i) the distribution of Wuliangye liquor series, National Cellar 1573 baijiu with 43% alcohol content, Kweichow Moutai Chiew products, Fen Wine with 55% alcohol content liquor series, Red Fen Shijia liquor series, Yaxi Classic liquor series and Old Vintage liquor series, wine and foreign liquor series ("**Liquors**"); and

(ii) the distribution of sugar, Chinese cigarettes and others ("**Sugar, cigarettes and others**").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, other gains, changes in fair value of derivative financial instrument and finance costs are excluded from such measurement.

Six months ended 30 September 2018 (Unaudited)

	Liquors *HK$'000*	Sugar, cigarettes and others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	**764,231**	**113,763**	**877,994**
Foreign exchange gains, net	**364**	**–**	**364**
Changes in fair value of financial assets at fair value through profit or loss	**7,108**	**–**	**7,108**
Dividend income	**2,358**	**–**	**2,358**
Total	**774,061**	**113,763**	**887,824**
Segment results	**21,053**	**(9,417)**	**11,636**
Reconciliation:			
Interest income			**85**
Other gains			**413**
Changes in fair value of derivative financial instrument			**(4,601)**
Finance costs			**(47,473)**
Loss before tax			**(39,940)**
Other segment information:			
Depreciation	**3,418**	**7**	**3,425**
Write-back of impairment allowance of prepayments and other receivables	**(8,135)**	**–**	**(8,135)**
Provision for inventories in respect of write-down to net realisable value	**9,591**	**–**	**9,591**
Capital expenditure*	**8,600**	**–**	**8,600**

* Capital expenditure consists of additions to items of property, plant and equipment.

Six months ended 30 September 2017 (Unaudited)

	Liquors *HK$'000*	Sugar, cigarettes and others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	601,068	139,670	740,738
Segment results	(15,589)	797	(14,792)
Reconciliation:			
Interest income			282
Other gains			15
Finance costs			(24,817)
Loss before tax			(39,312)
Other segment information:			
Depreciation	2,777	8	2,785
Impairment allowance of trade receivables	7,682	–	7,682
Write-back of impairment allowance of prepayments and other receivables	(2,479)	–	(2,479)
Provision for inventories in respect of write-down to net realisable value	4,146	–	4,146
Capital expenditure*	2,123	–	2,123

* Capital expenditure consists of additions to items of property, plant and equipment.

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains, net is as follows:

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Type of goods		
Sales of liquor products	**764,231**	601,068
Sales of sugar, cigarettes and daily necessities	**113,763**	139,670
Total revenue from contracts with customers	**877,994**	740,738
Geographical location of customers		
Mainland China	**648,620**	537,139
Hong Kong	**229,180**	203,599
Poland	**194**	–
Total revenue from contracts with customers	**877,994**	740,738
Other income and gains, net		
Bank interest income	**85**	282
Dividend income	**2,358**	–
Changes in fair value of financial assets at fair value through profit or loss	**7,108**	–
Foreign exchange gains, net	**364**	–
Others	**413**	15
	10,328	297

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans	**1,151**	4,342
Interest on bond payables	**46,322**	20,475
	47,473	24,817

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**3,425**	2,785
Cost of inventories sold**	**707,678**	612,497
Impairment allowance of trade receivables*	**–**	7,682
Write-back of impairment allowance of prepayments and other receivables*	**(8,135)**	(2,479)
Provision for inventories in respect of write-down to net realisable value**	**9,591**	4,146
Changes in fair value of financial instruments:		
Financial assets at fair value through profit or loss	**(7,108)**	–
Derivative financial instrument – transaction not qualified as hedge	**4,601**	–
Foreign exchange differences, net	**(364)**	150

* Included in "Write-back of impairment/(loss from impairment), net" on the face of the interim condensed consolidated statement of profit or loss.

** Included in "Cost of sales" on the face of the interim condensed consolidated statement of profit or loss.

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period (period ended 30 September 2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operated.

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the period	**–**	30

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$40,046,000 (period ended 30 September 2017: HK$39,342,000), and the weighted average number of ordinary shares of 2,270,806,848 (period ended 30 September 2017: number of ordinary shares of 2,272,808,946) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2018 and the six months ended 30 September 2017 in respect of a dilution as the share options outstanding had no dilutive effect on the basic loss per share amount presented for the six months ended 30 September 2018 and the six months ended 30 September 2017.

9. TRADE AND BILLS RECEIVABLES

	30 September 2018	31 March 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**203,559**	260,225
Less: impairment allowance[#]	**(181,560)**	(198,271)
Net trade receivables	**21,999**	61,954
Bills receivable	**4,315**	1,232
	26,314	63,186

#	Included in the impairment allowance of trade receivables is a provision for impaired trade receivables in aggregate of HK$181,560,000 (31 March 2018: HK$198,271,000) with a carrying amount before provision in aggregate of HK$181,560,000 (31 March 2018: HK$198,271,000). The impairment allowance was recognised based on the Group's best estimate of amounts that are potentially uncollectible. This determination requires significant judgement. In making such judgement, the Group evaluates, among certain economic factors specific to each customer and other factors, the historical and current period payment pattern and creditworthiness of each customer, the default rates of current period and prior years, ageing of receivables balances, and the latest communication with individual customers. The Group has launched a series of plans to communicate with individual customers and manage the credit risk of the customers. Management will closely monitor and continue to pursue collection of those receivables.

The Group normally allows a credit period of not more than 3 months to its customers except for certain identified major customers where longer credit terms may be granted upon approval by management. The credit terms of bills receivable are generally 6 months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Over 39% (31 March 2018: 42%) of the trade and bills receivables balance as at 30 September 2018 represented receivables from five customers. The Group does not hold any collateral or other credit enhancement over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Within 2 months	**6,540**	28,049
2 to 6 months	**3,898**	35,118
6 months to 1 year	**15,876**	19
	26,314	63,186

10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
Within 1 month	**7,905**	21,388
1 month to 3 months	**99**	134
Over 3 months	**503,096**	490,807
	511,100	512,329

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

The bills payable are non-interest-bearing and with 365-day settlement terms.

As at 30 September 2018, the Group's bill payable of HK$500,016,000 (31 March 2018: HK$487,465,000) were secured by the Group's pledged bank deposit of HK$56,820,000 (31 March 2018: HK$492,915,000).

11. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (period ended 30 September 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the period ended 30 September 2018 (the "**Period under Review**"), the Group recorded a total revenue of approximately HK$878.0 million (corresponding period in 2017: HK$740.7 million), representing an increase of approximately 18.5%. Excluding the provision for inventories, during the Year under Review, the Group's gross profit was approximately HK$170.3 million (corresponding period in 2017: HK$128.2 million). The gross profit margin before provision for inventories was approximately 19.4% (corresponding period in 2017: 17.3%), while the loss attributable to the ordinary equity holders of the Company was approximately HK$40.0 million (corresponding period in 2017: HK$39.3 million). Basic loss per ordinary share was approximately HK1.76 cents (corresponding period in 2017: HK1.73 cents).

During the Period under Review, the revenue generated from the PRC market and the international market accounted for approximately 73.9% (corresponding period in 2017: 72.5%) and approximately 26.1% (corresponding period in 2017: 27.5%) of the Group's total revenue respectively.

Baijiu Business

During the Period under Review, China's economy has entered new equilibrium with economic development gradually rebalanced from investment-driven to consumption-driven. With consumption becoming the major driving force behind the economy, competition in the fast-moving consumer goods industry intensified. New characteristics of China's baijiu industry include: increasingly noticeable brand differentiation among baijiu companies with the profitability gap between high-end brands and others further widened; the overall consumer market is weak and sluggish, while the circulation and market sales are not satisfactory due to the macroeconomic environment this year. Being empowered by internet technology, the pace for adopting flat sales channels in the baijiu industry is accelerating and B2B online transaction model is more widely accepted by an ever-increasing number of retailers.

In 2018, high-end baijiu brands recorded stable growth while mass consumption entered booming stage. Brand integrity became the core competitiveness of baijiu companies and household names maintained their lead. Meanwhile, after several years of rapid development, a unique industry pattern has been formed in China's liquor e-commerce industry. In recent years, the industry underwent a transforming internet technology upgrade with rapid improvements achieved in different areas such as consumer awareness, informatisation level, industrial efficiency and transparency, and expansion into global market. In response to the above development, liquor e-commerce players have to seek proactively breakthroughs in their business model proactively. They no longer adhered to any single model but pursue diversified development, which ushers the liquor industry gradually embark on the path to a new retail era.

As a national baijiu distributor in China, the Group has been closely following changes in the supply and demand in China's baijiu market in order to push forward the broader development of the industry. During the Period under Review, the Group continued to focus on its high-end baijiu development strategy and actively sought for suitable mid to low end baijiu partners. The "Wine Kingdom • Cloud Partnership" platform ("**B2B Platform**"), which was established by the Group in 2016, successfully revolutionised the traditional industry distribution model, achieving flat sales channels and transparent pricing. The platform has been in operation since then and is gradually getting more stable and mature. Its development progress is in line with our expectation.

Wine Kingdom B2B Platform

Capitalising on the emergence of e-commerce platform, the Group's B2B Platform was officially launched in May 2016 and has been in operation for over two years. The platform successfully eliminated the number of levels in the channel hierarchy of the Group's product sales chain and achieved direct sales to retail operators at "First Tier Wholesale Price". It optimised the industrial chain, created an online-to-offline consumption ecology, and also solved low efficiency issues associated with the traditional baijiu sales model. At the same time, the new industry model of "Internet + Liquor" has also successfully facilitated the brand promotion and marketing channel expansion of industry players, thus enabled them to swiftly adapt to personalised and diversified consumer demands and created greater space for liquor companies' development.

During the Period under Review, the Group's B2B Platform maintained its steady development trajectory. Apart from continuing to focus on cultivating the existing distribution network and business members, the Group also undertook moderate system upgrades for its B2B Platform. And in early 2018, the Group commenced the deployment of "Wine Kingdom Path Finder" based on Internet of Things ("**IoT**") which is a product that senses the operational information of goods through intelligent terminals, and by leveraging cloud computing framework of the big data platform for IoT data storage, calculation, management, monitoring, analysis, mining and application. This would allow companies to monitor operational data in relation to marketing and inventory to solve four major issues within baijiu industry namely "loss, anti-counterfeiting, inventory, traceability".

Wine and Cigarettes

As consumers in China are more knowledgeable about wines in recent years, the market demand for wine has been increasing accordingly. The Group expects China's wine market will continue to develop steadily and management will pay close attention to the development and changes in the market and make appropriate plans and adjustments. The revenue of the cigarette business during the Period under Review decreased, compared to the same period last year.

Non-alcohol Business

Despite a trend of expansion and growth in China's recovered baijiu market, it has also become more obvious that consumption concentrated on high-end brands. The polarisation of the baijiu industry has become more severe, which intensified the industry competition among distributors. In response to the uncertainties brought by the industry changes and to expand the product range available on "Wine Kingdom" and improve the stickiness of users, the Group utilised its national network through the B2B Platform and devoted to introduce more baijiu products and non-alcoholic products to our business members so as to maximise the value of our platform.

Outlook and Future Development

Subject to the macroeconomic conditions, China's baijiu industry will remain in the adjustment phase in the near future, but is expected to be on a rising trend in the medium and long term, in particular, with the empowerment by new technology, more new models and business opportunities will emerge in the future. The Group will always keep up with the latest development, pursue development steadily and innovatively, and realise profit maximisation for our shareholders.

In 2018, the Group will uphold its strategy of three continuance in the areas of product, channel and management: continue to strengthen its communications with its core suppliers, increase the allocation of resources to the core brand products, and strengthen the market competitiveness of the Company's products; continue to deepen flat channel management through the "Wine Kingdom" platform, effectively control costs of sales and enhance the Company's profitability; continue to optimise organisational structure, increase per capita performance, and enhance the Company's resilience to market changes.

Meanwhile, China's baijiu industry is expected to gradually roll out overseas expansion plans amid the maturation of domestic market. In order to meet with market demand, the Group has also implemented the development strategy targeting European market during the Period under Review. This year, additional Eastern European countries, including Poland, Czech Republic, Hungary and Slovakia, are included in our expansion plan and we have commenced business and promoted Chinese baijiu culture in the local markets.

The Group is confident that it will maintain its leading position in China and the international market with its established B2B platform and years of reputation and influence in the industry.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group generates its revenue primarily from sales of high-end liquors. For the six months ended 30 September 2018, the Group recorded a total revenue of approximately HK$878.0 million, representing an increase of approximately 18.5% compared to a total revenue of approximately HK$740.7 million for the six months ended 30 September 2017. For the six months ended 30 September 2018, approximately 73.9% of revenue was derived from the PRC market (corresponding period in 2017: 72.5%).

The Group's revenue derived from the distribution of liquors represented approximately 87.0% of the total revenue for the six months ended 30 September 2018 (corresponding period in 2017: 81.1%) while the revenue derived from the distribution of sugar, cigarettes and others represented approximately 13.0% of the total revenue for the six months ended 30 September 2018 (corresponding period in 2017: 18.9%).

The Group's gross profit for the six months ended 30 September 2018 approximately was HK$160.7 million (corresponding period in 2017: HK$124.1 million). The increase in gross profit was mainly due to the increase in average selling price during the period. Excluding the factor of provision for inventories, the Group's gross profit for the six months ended 30 September 2018 was approximately HK$170.3 million (corresponding period in 2017: HK$128.2 million), the gross profit ratio before provision for inventories approximately was 19.4% (corresponding period in 2017: 17.3%).

Other Income and Gains, Net

Other income and gains, net amounted to approximately HK$10.3 million for the six months ended 30 September 2018 (corresponding period in 2017: HK$0.3 million). Such increase was mainly due to dividend income from and changes in fair value of a financial asset.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised salaries and welfare related to sales and marketing personnel, advertising and promotional expenses, transportation costs, rental expenses and miscellaneous expenses related to sales.

Selling and distribution expenses amounted to approximately HK$124.1 million (corresponding period in 2017: HK$90.7 million) accounting for approximately 14.1% (corresponding period in 2017: 12.2%) of the revenue of the Group for the six months ended 30 September 2018. Such increase was mainly due to the increase in expenses for marketing events and expanding domestic and international markets.

Administrative Expenses

Administrative expenses mainly comprised salaries and welfare, office rental expenses, professional fees and other administrative expenses.

Administrative expenses amounted to approximately HK$43.0 million (corresponding period in 2017: HK$42.8 million) accounting for approximately 4.9% (corresponding period in 2017: 5.8%) of the revenue of the Group for the six months ended 30 September 2018. Administrative expenses maintained at the same level as corresponding period in 2017.

Other Expenses, Net

Other expenses, net amounted to approximately HK$4.6 million (corresponding period in 2017: HK$0.2 million) included changes in fair value of derivative financial instrument for the six months ended 30 September 2018. For the six months ended 30 September 2017, the other expenses, net was exchange loss from the operations. The change was mainly due to loss from the changes in fair value of derivative financial instrument in this period and no such item for the six months ended 30 September 2017.

Write-back of Impairment/(Loss from Impairment), Net

Gain recorded in this account amounted to approximately HK$8.1 million (corresponding period in 2017: loss of HK$5.2 million) for the six months ended 30 September 2018. The change was mainly due to the increase in write-back of impairment during the period.

Finance Costs

Finance costs amounted to approximately HK$47.5 million (corresponding period in 2017: HK$24.8 million) representing approximately 5.4% (corresponding period in 2017: 3.4%) of the Group's revenue for the six months ended 30 September 2018. The finance costs include interest on bank and trust receipt loans and interest on bond payables. Such increase was mainly due to the increase in interest on bond payables.

Income Tax Expense

No provision for Hong Kong profits tax has been made for the period as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period (corresponding period in 2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operated.

Loss Attributable to Ordinary Equity Holders of the Company

Taking into account of the aforementioned, the loss attributable to ordinary equity holders of the Company for the six months ended 30 September 2018 amounted to approximately HK$40.0 million (corresponding period in 2017: HK$39.3 million).

Dividends

The Company did not pay any interim dividend for the six months ended 30 September 2017 and any final dividend for the year ended 31 March 2018.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018.

Inventories

As at 30 September 2018, the Group's inventories was approximately HK$1,147.7 million (31 March 2018: HK$904.4 million). The increase was mainly due to the sharply increase in the purchase volume during the period.

Trade and Bills Receivables

The Group has adopted stringent credit policy. Generally, the customers of the Group shall settle payment obligations in cash or bank's acceptance bill issued by reputable banks before delivery of the goods. In prior year, the Group also granted a credit period of up to 1 year to some long-term or reliable customers.

The decrease in trade receivables was mainly due to the decrease in credit sales not yet settled by the customers. All of the trade receivables was settled up to the date of this announcement.

All the Group's distributors have been selected after careful and serious consideration. They generally possess extensive distribution networks, considerable financial strengths and competitive market positions. After careful assessment of the receivable balance's recoverability by taking into account of the current adverse operating environment, financial conditions of the distributors and aging of the balances, total impairment allowance in aggregate of approximately HK$181.6 million (31 March 2018: HK$198.3 million) had been made by the Group as at 30 September 2018.

As at 30 September 2018, the trade and bills receivables net of provision were approximately HK$26.3 million (31 March 2018: HK$63.2 million). Approximately 24.9% of the net trade and bills receivables were aged within two months as at 30 September 2018 (31 March 2018: 44.4%). All bills receivables were issued and accepted by banks.

The Group will continue to adopt stringent credit control policy and will apply the following measures to manage and enhance the recoverability of the Group's trade and bills receivables:

(i) close and continuous communication and cooperation between the distributors and our sales managers in strengthening the sales channels and marketing strategies of the Group, which enables clearance of their accumulated inventories and settlements to the Group; and

(ii) actively pursue cash-transaction business such as e-commerce and TV shopping and B2B business.

Up to the date of this announcement, the Group's subsequent settlement of the trade and bills receivables was approximately HK$22.9 million.

Trade and Bills Payables

As at 30 September 2018, the trade and bills payables was approximately HK$511.1 million (31 March 2018: HK$512.3 million). The decrease in trade and bills payables was due to the decrease in outstanding trade payables as at 30 September 2018.

Liquidity and Financial Resources

As at 30 September 2018, the Group had cash and cash equivalents of approximately HK$427.1 million (31 March 2018: HK$418.9 million), approximately 60.3% (31 March 2018: 43.3%) of which was denominated in RMB, approximately 24.1% (31 March 2018: 45.5%) of which was denominated in Hong Kong dollars and approximately 15.6% (31 March 2018: 11.2%) of which was denominated in other currencies. The decrease in cash and cash equivalents was mainly due to the increase in cash used in operating activities. As at 30 September 2018, the Group's net current assets were approximately HK$1,207.7 million (31 March 2018: HK$1,300.2 million).

Capital Structure of the Group

Total interest-bearing bank borrowing as at 30 September 2018 was approximately HK$34.1 million (31 March 2018: HK$74.9 million). The interest-bearing bank borrowing was bank loan. All (31 March 2018: 100.0%) of the total interest-bearing bank borrowing was denominated in RMB.

The Group's bank loan was denominated in RMB. The Group's bank loan in the amount of approximately HK$34.1 million (31 March 2018: HK$74.9 million) containing a repayment on demand clause is included within current interest bearing bank borrowing. As at 30 September 2018, the Group's interest-bearing bank borrowing is secured by the Group's inventories with cost of RMB250.0 million (equivalent to HK$284.1 million) and supported by corporate guarantees executed by the Company and a subsidiary of the Company.

Based on the maturity terms of the bank loan, the amount repayable in respect of the bank loan is: approximately HK$34.1 million (31 March 2018: HK$74.9 million) repayable within one year.

During the six months ended 30 September 2018, the Group issued bonds with an aggregate principal amount of HK$156.2 million before related expenses of HK$26.6 million, to certain independent entities and individuals. These bonds bear interest at rates ranging from 6% to 7% per annum and will mature in the period from April 2021 to February 2026. The interest will be repayable by the Group semi-annually or annually from the issue dates of the respective bonds and up to the maturity date.

No particular seasonality trend for the borrowing requirements of the Group observed for the period under review.

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars and RMB. Revenue derived and operating expenses incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB. The Directors consider that a reasonably possible annual change of 5% in the exchange rate between Hong Kong dollars and RMB would have no material impact on the Group's results and therefore hedging through the use of derivative instruments is considered unnecessary.

The funding and treasury policies of the Group are centrally managed and controlled by the senior management in Hong Kong. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures the availability of the bank credit facilities to address any short term funding requirements. The Group's cash and bank balances are placed with reputable financial institutions.

The Group monitors its capital using the gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowing, trade and bills payables, other payables and accruals, contract liabilities, due to a director, derivative financial instrument and bond payables less cash and cash equivalents. Total capital represents equity attributable to the ordinary equity holders of the Company. As at 30 September 2018, the gearing ratio was approximately 64.8% (31 March 2018: 59.9%).

Employment and Remuneration Policy

The Group had a total work force of 307 employees in Hong Kong and the PRC as at 30 September 2018 (31 March 2018: 283 employees). The total salaries and related costs (including Directors' fee) amounted to approximately HK$53.2 million for the six month ended 30 September 2018 (31 March 2018: HK$117.4 million). The Group has implemented the remuneration policy, bonus and share option scheme based on the achievements and performance of employees. The Group has also participated in the mandatory provident fund scheme in Hong Kong and the state managed retirement benefit scheme in the PRC. The Group continues to provide training courses for its staff to enable them to achieve self-improvement and to enhance their skill and knowledge.

Share Option Scheme

On 20 February 2009, the Company approved and adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the growth of the Group. Eligible participants of the Share Option Scheme include, but not limited to, employees, Directors and any other eligible persons.

As at 30 September 2018, the number of share options to subscribe for a total of 239,900,000 shares in the Company, representing approximately 10.6% of the number of issued ordinary shares of the Company, may still be granted under the Share Option Scheme as the date of this announcement.

LITIGATION

In December 2013, one distributor of the Group (the "**Plaintiff**") filed a claim to a District People's Court in the PRC (the "**PRC District People's Court**") against one of the Group's subsidiaries in the PRC in relation to the Group's obligation to buy back certain inventories from the Plaintiff (the "**Claim**"). The Plaintiff demanded the purchase consideration and related compensation from the Group of approximately RMB20.1 million (equivalent to approximately HK$22.8 million) in total.

According to a judgement dated 25 August 2015 issued by the PRC District People's Court, the Group was liable to buy back certain inventories from the Plaintiff with a total consideration of approximately RMB18.9 million (equivalent to approximately HK$21.5 million). The Group has filed an appeal for such judgement to the PRC District People's Court in September 2015. According to a judgement dated 7 January 2016 issued by the PRC District People's Court, the appeal from the Group was dismissed and the original judgement dated 25 August 2015 was sustained.

At the date of approval of the condensed consolidated interim financial information, the Group and the Plaintiff are under the negotiation for the buy back arrangement of the inventories and the Group has not bought back any inventories from the Plaintiff. The directors of the Company are in the opinion that adequate provision has been made in the condensed consolidated interim financial information to cover any potential liabilities arising from the Claim.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of report on review of interim financial information by the Group's independent auditors:

"CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the interim financial information which indicates that the Group recorded a consolidated loss before tax of HK$39,940,000 during the period ended 30 September 2018, and the Group had net cash outflows used in operating activities of approximately HK$464,969,000. These conditions, along with other matters as set forth in note 2.1 to the interim financial information, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. As explained in note 2.1 to the interim financial information, this interim financial information has been prepared on a going concern basis, the validity of which is dependent on the ability of the Group to extend its short-term borrowings upon maturity, source additional debt financing and refinance its existing indebtedness; and to improve its operations to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future. Our conclusion is not modified in respect of this matter."

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions in the Corporate Governance Code contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquires, all Directors confirmed that they have complied with the standards set out in the Model Code during the six months ended 30 September 2018.

The Company has adopted written guideline, "Code for Securities Transactions by Relevant Employees", on no less exacting terms than the Model Code for securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three members, all of whom are independent non-executive Directors, namely Mr. Hung Sui Kwan who possesses professional accounting qualifications, Mr. Ma Lishan and Dr. Lee Kwok Keung Edward. Mr. Hung Sui Kwan is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference in line with the Corporate Governance Code issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting systems, risk management framework and internal control systems.

The Audit Committee along with the management of the Company has reviewed the unaudited interim financial statements for the six months ended 30 September 2018 including the accounting principles and practices adopted by the Group.

The interim condensed consolidated financial statements of the Company for the six months ended 30 September 2018 had not been audited but had been reviewed by the independent auditors of the Company.

COMPLIANCE COMMITTEE

The compliance committee of the Company (the "**Compliance Committee**") currently comprises four members, including all independent non-executive Directors, namely Mr. Hung Sui Kwan, Mr. Ma Lishan, Dr. Lee Kwok Keung Edward and one executive Director, Ms. Chen Xiaoxu. Mr. Hung Sui Kwan is the chairman of the Compliance Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 30 September 2018, the Company repurchased a total of 5,388,000 shares of HK$0.10 each in the capital of its own shares on the Stock Exchange, details of which are as follows:

Date of repurchase	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price and per share** *HK$*	**Approximate aggregate consideration** *HK$*
11 July 2018	5,388,000	0.59	0.54	3,038,070

The issued share capital of the Company was reduced by the par value of the repurchased shares which had been cancelled on 25 July 2018. The repurchases of shares were effected by the Directors pursuant to the general mandate to repurchase shares which was duly approved by the shareholders at the annual general meeting of the Company convened on 18 August 2017.

The repurchases were made for the benefit of the Group and its shareholders as a whole with a view to enhancing the net assets per share of the Company.

On 26 April 2018, the Group entered into an agreement with Mr. Chen Xiaolong ("**Mr. Chen**"), an independent third party, pursuant to which Mr. Chen conditionally agreed to sell and the Group conditionally agreed to acquire 51% of the issued shares of the target company and its subsidiary at a maximum total consideration of RMB18,000,000, which will be satisfied by the issue of up to 12,000,000 consideration Shares. Details of the agreement are set out in the announcement of the Company dated 26 April 2018 (the "**Announcement**").

As at the date of this announcement, the consideration Shares for Performance Period I (as defined in the Announcement) has not been issued by the Company. The Company is currently negotiating new terms and conditions with Mr. Chen, among other things, to increase the gross profit margin of the B2B Platform (as defined in the Announcement) generated through the sales to customers introduced by Mr. Chen. As such, the number of the consideration Shares may be adjusted once an agreement is reached between the Group and Mr. Chen.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 September 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.silverbasegroup.com). The interim report for the six months ended 30 September 2018 containing all the information required by the Listing Rules will be published on the aforesaid websites and despatched to the shareholders of the Company in due course.

By Order of the Board
Silver Base Group Holdings Limited
Liang Guoxing
Chairman

Hong Kong, 26 November 2018

As at the date of this announcement, the Board comprises Mr. Liang Guoxing (Chairman), Mr. Yan Jun (Chief Executive Officer) and Ms. Chen Xiaoxu as executive Directors; Mr. Wu Jie Si and Mr. Chen Sing Hung Johnny as non-executive Directors; and Mr. Hung Sui Kwan, Mr. Ma Lishan and Mr. Lee Kwok Keung Edward as independent non-executive Directors.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of this announcement shall prevail over the Chinese text.